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**FISCAL IMPACT STATEMENT**

**LS 6839**

**BILL NUMBER:** HB 1319

**NOTE PREPARED:** Jan 28, 2008

**BILL AMENDED:** Jan 28, 2008

**SUBJECT:** Property Tax Matters.

**FIRST AUTHOR:** Rep. Grubb

**FIRST SPONSOR:**

**BILL STATUS:** 2<sup>nd</sup> Reading - 1<sup>st</sup> House

**FUNDS AFFECTED:**    **GENERAL**  
                          **X DEDICATED**  
                          **FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** (Amended) *Land Assessment:* This bill provides that land that has a forest canopy covering at least 50% of the area of the land and that was assessed as agricultural land for the March 1, 2005, assessment date is considered to be devoted to agricultural use and shall be assessed as agricultural land for taxation purposes unless: (1) the land is rezoned; (2) the land is divided into two or more parcels; (3) the ownership of the land is conveyed or transferred; or (4) there is a substantial change in the use of the land.

*Levy Appeals:* With respect to an excessive levy appeal based on increased costs to a civil taxing unit resulting from annexation, consolidation, or other extensions of governmental services by the unit to additional geographic areas or persons, this bill: (1) eliminates the restriction against an appeal after 2009; (2) allows an appeal in the first year increased costs are incurred and the immediately succeeding four years; and (3) makes the excessive levy for a year a permanent part of the unit's maximum permissible levy for succeeding years.

**Effective Date:** March 1, 2007 (retroactive); July 1, 2008.

**Explanation of State Expenditures:**

**Explanation of State Revenues:** *Land Assessment:* The level of assessment of forest land could have a slight impact on property tax revenues generated for the state fair and state forestry funds. A reduced assessment would reduce the amount collected for these funds.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** *Land Assessment:* This provision would only affect property that is partially forested, was assessed as agricultural land for taxes paid in 2006, and is not currently (or in the future) being assessed that way. The amount and location of such land is not known.

The DLGF has set the base rate for agricultural land at \$1,200 per acre for taxes payable in 2009. This base value changes each year and is adjusted by a local soil productivity factor. If the assessed value of the affected land is higher under the different assessment method than it would be if assessed as agricultural land, then this bill would reduce the assessment back to a level comparable to its former assessment. A reduced assessment would cause a shift of a portion of the property tax burden from the affected land to all other properties. This would reverse the shift that occurred or would occur when the valuation method is changed from agricultural land.

(Revised) *Levy Appeals:* Under current law, a taxing unit may petition the State's Local Government Tax Control Board or, beginning in 2009, the county board of tax and capital projects review, for an excessive levy to cover the increased costs due to an annexation. This appeal is not available after 2009 under current law.

This bill would restore the appeal for years after 2009. A taxing unit could appeal only if the costs of annexation will be incurred in the current year and in more than one immediately succeeding year. The excessive levy could apply to the year in which the annexation costs were incurred plus up to four of the immediately following years. If the appeals are granted, this provision would result in a levy increase for up to a total of five years for annexing units. The fiscal impact would depend on local action (and state action through 2009).

**State Agencies Affected:** Department of Local Government Finance; Local Government Tax Control Board

**Local Agencies Affected:** Local assessing officials; County Board of Tax and Capital Projects Review.

**Information Sources:**

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